5 Ways Your ACO Should Leverage Data for Cost Control

written by Theresa Hush | August 1, 2024

In creating your strategies for cost control, your ACO must consider how to reduce Total Per Capita Cost (TPCC) while ensuring the financial survival of your ACO and participating providers. This balancing act is the dilemma facing all providers adopting Value-Based Care: how to achieve more savings while replacing revenue lost from services. Here's how data can guide your efforts to sustain your ACO while stewarding high quality and affordable care:

Total Cost of Care Is a False Starting Point

If you are looking at Total Cost of Care (TCOC) or TPCC as your primary metric for cost control, you're on the wrong track. Aggregating your health care service costs to a payer and for a population of patients is not informative except in comparison with other groups. Nor are those total costs, in isolation, actionable. To affect TCOC or TPCC, you need to address the situations that affect those total cost metrics, including:

High or inappropriate utilization or services;
Costs that spin out of control but can be managed;
Patients sent outside your network where there are no linkages to your primary care or population health.

You can't simply tell your providers that they need to reduce cost of care. The only strategies to achieve that would cut services without improving patient care:

Benchmarking costs by provider/practice through incentives and penalties;
Requiring prior authorizations for internal controls on higher cost services like diagnostics;
Directing patients away from services.

Cost-cutting mechanisms aren't so easily identified as wholly good or bad, however. For example, many ACOs did significant work to reduce skilled nursing facility (SNF) costs by negotiating rates, establishing relationships, and ensuring that patients left facilities when therapies were exhausted. While this is a service redirection, a coordinated approach of replacing SNF services with home- or provider-based therapy might reduce costs and be beneficial to patients.

Nevertheless, simply lowering TCOC by arbitrary actions may generate one-time savings that require more cuts in future years, because of the ACO cost reconciliation formula—an example of a cost strategy that can work against sustainability.

Better Strategies Avoid and Mitigate Costs, While Spurring Growth

Given an environment where there are severe shortages of physicians in both primary care and specialties, maintaining your focus on coordinating care to avoid high-cost services will make your ACO less vulnerable to excess capacity and costs for providers. This is a wise strategy for the long run, as well, because it will be hard to meet future demand without creating efficiencies and transforming practices so that physicians can manage care teams with the support of other clinicians and staff performing specific care management functions.

Two additional factors are worth noting that improve the economics of physician services. First, with an emphasis on accountable care, CMS is proposing the payment of Advanced Primary

Care Management fees to providers even under the Fee-for-Service program and in ACOs. Increased funding for primary care physicians is only one of the benefits; the real enhancement is the recognition and delineation of the work involved in caring for individuals with chronic illness. These are issues that have long frustrated primary care groups.

Second, the Making Primary Care (MPC) multi-payer payment model will also benefit ACOs indirectly, by testing and identifying care management and community-based programs that help to improve outcomes and reduce costs. Both of these initiatives recognize the need for understanding the real work of primary care and right-sizing the economics. ACOs can learn from the programs adopted by the participants and find a promising path toward maintaining robust physician panels in their organizations.

Finally, data to perform cost control that had been inaccessible is now available to ACOs. Even if you are doing APP Quality Reporting in 2025 with Medicare CQMs, you will have clinical measure data that you can use to your benefit in managing costs.

Five Cost-Focus Areas that Data Can Leverage

Your ACO has potential to make serious headway in the following five areas, using data that can identify patient risks, help physicians communicate with patients, and create the foundation for cost cuts in the right direction. With some or all of these areas, you can build the Value-Based Care track record you need to fuel patient growth.

1. Avoid high-cost utilization and events for patients with chronic disease and poor outcomes.

Clinical and claims data will identify patients who are at risk of events because of multiple high-risk factors, persistently poor outcomes, and progression of disease. These represent additional physician and care management needs to identify causes and evaluate treatment options, while engaging the patient in education and improvement.

2. Narrow cost variation among specialty procedures and treatments.

In clinical episodes for every patient within a set time frame, procedure and treatment data will compare costs of the same procedures and allow you to drill into causes of cost variation. Provider data-sharing and collaborative initiatives between ACO primaries and specialists will help focus on prevention of complications, clinical pathway adherence, and patient selection to lower excess costs.

3. Engage patients with chronic illness and specialty needs in motivational communication and decision-making.

Patient communication, even with AI tools, can help patients understand their risk factors, touch base with providers, and stay consistent with treatment plans. In specialty cases, a formalized communication of goals and obstacles can help clinician-patient discussions about the pros and cons of treatments.

4. Invest in collaborating and training community organizations.

Working with community organizations to share social and care management functions can add to your resources and help the communities that share patients with you. Your data can identify patients who may be better served by various community organizations to meet their social and financial needs.

5. Guide physicians with clinical cost data that is relatable to their patients.

Physicians don't need to be overwhelmed by detailed data, and they react negatively to scores. Help them understand the issues by showing them sample patient episodes that reveal both good and problematic results, for better interventions and improvements.

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